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SUBJECT: Traditional Chinese Medicine: A Major Economic, Social, and Cultural Influence in Guangdong

¶1. (U) Summary: Traditional Chinese Medicine (TCM) has a strong economic, social, and cultural foothold in south China, with Guangdong leading the way in total TCM revenue and product output. "Guangdong Liang Cha", for example, an herbal tea, is becoming a national phenomenon and chasing Coca Cola in sales revenue in China.

The largest TCM hospitals are in Guangdong and the provincial government, with assistance from the center, is investing millions to strengthen and revitalize TCM health care infrastructure, both for the treatment of illness and the use of preventative medical practices. This effort is a part of a national campaign aimed at cultural preservation; as importantly, it is a move to provide affordable medical solutions to many of those who are underserved by mainstream Western medicine. End summary.

TCM History: Past and Present  
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¶2. (U) Recent archaeological findings suggest that TCM was being used over ten thousand years ago. Practitioners have compiled compendiums of herbs for the past 2000 years, including the "Compendium of Materia Medica" of the Ming dynasty's LI Shizhen, the most complete and comprehensive collection available. Still, with the advent of western medical practices, there has been a widespread debate about whether TCM is a legitimate healthcare practice, with some arguing that it is not science-based.

¶3. (U) Chairman Mao was a major proponent of TCM, sending millions of grass-root practitioners, known as the "barefoot doctors", into rural areas lacking standard hospitals and medical practitioners. With the advent of economic reform and opening, support for this alternative healthcare service declined dramatically. In 2002, the Chinese government took another look at the utility of TCM and by 2007, the Ministry of Science and Technology (MOST) and the State Development and Reform Commission (SDRC) proposed a TCM modernization program as one of the major tasks in their eleventh 5-year development plans. The goal: to use science and technology to build an effective TCM medical healthcare infrastructure.

TCM Regulations: A Unique Approach  
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¶4. (U) The Chinese State Administration of TCM (SATCM) is the central governing agency, under the Ministry of Health, regulating the TCM medical healthcare system. Since its establishment in 1986, SATCM has certified TCM medical practices, standardized TCM nomenclatures and established procedures for enforcing TCM regulations. It also directs and supports TCM research and technique development. The exception to the preceding: TCM-based pharmaceutical products are regulated by the State Food and Drug Administration (SFDA). At the provincial level, the Guangdong Bureaus of TCM and FDA oversee the regulation of TCM medical practice and TCM pharmaceutical products, respectively.

## TCM Industry: an Important Economic Engine in Guangdong

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15. (U) Guangdong produces the most TCM revenue and output. According to government statistics, there are over 110 TCM manufacturers in Guangdong. In 2006, the total sales revenue for Guangdong's TCM products amounted to 9.55 billion RMB (1.36 billion USD), i.e., 7% of the national total and up 18% compared to 2005. For TCM pharmaceutical products alone, Guangdong's output was 119,000 tons, or 13% of the national total.

16. (U) Guangzhou Pharmaceutical Holdings Limited (GPC) is the provinces TCM industry leader as well as top Chinese TCM pharmaceutical company as measured by sale revenue. GPC has a 400-year history - the longest in China - of manufacturing "formulated" TCM products. GPC's herbal tea beverage, "Guangdong Liang Cha", has become a national phenomenon in the past year and one analyst estimates that its sales volume will top that of Coca Cola in 2008. As a point of reference, Coca Cola China had sales revenue of 2.8 billion Yuan (400 million USD) in 2005, was ranked at the top in carbonated beverage sales in China with growth of 20 percent or so annually.

### Guangzhou TCM Hospital: the Front Runner in China

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17. (U) Guangzhou TCM Hospital was founded in 1933, and is one the oldest TCM hospitals in Chinese modern history. Size-wise, it is the top TCM hospital in China. It is a comprehensive network, with five modern class A hospitals in Guangzhou and four mid-size outpatient clinics out of the city. It has over 3000 inpatient bed units. In 2006, total outpatient visits amounted to 4 million, the

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highest in China for a TCM hospital. The hospital has invested a significant amount (500 million RMB or 80 million USD) on instrument upgrades, the largest such investment by a TCM hospital in China.

18. (U) Guangzhou TCM Hospital has an impressive list of nationally and internationally acclaimed TCM doctors. The hospital recruits TCM experts from around the country and has a mentoring system to train young practitioners. It offers over 100 TCM specialists for specific diseases. The hospital recently created a new specialty called preventative TCM. A whole-body scan system and individual health consultation, including TCM remedies, are prescribed for those who come for physical checkups. The hospital specialists also frequently publish a TCM "soup recipe" in local newspapers. Cantonese have a long tradition of taking TCM through food for health purposes.

19. (U) Guangzhou TCM Hospital couples TCM therapies with advanced clinical diagnostics. The hospital has invested a significant amount of capital (500 million RMB) to upgrade its diagnostics capability to improve treatment. The diagnostic division is ISO 17025-certified and offers a range of standard tests that are normally seen in Western medicine hospitals.

110. (U) Guangzhou TCM Hospital is also one of the few TCM clinics in China capable of conducting clinical research in compliance with international standards. In the past few years, the hospital was commissioned by MOST under Project 863 to develop standards and procedures for conducting and evaluating TCM clinical trials. The hospital conducts about 30 phase 1 - phase 3 clinical trials per year.

111. (U) In the last year, the hospital has formed a TCM research institute to increase TCM basic and clinical research. The institute is also funded by MOST, which awards 10 million RMB (1.43 million USD) a year under Project 863 and 973. The hospital has formed multiple research collaborations with overseas researchers in many disease areas, including immune function, digestive disease, skin rejuvenation, rheumatoid arthritis, and breast cancer.

112. (U) New TCM product development is also a key hospital activity.

Most notably, the hospital has an active program for the development of a new prophylactic anti-malaria drug which contains artemisinin. Clinical trials are slated to begin in 2008 in Africa (Ghana and Nigeria).

Guangdong's roadmap to build a better TCM healthcare system

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¶13. (U) In accordance with the national strategy for TCM modernization and development, the Guangdong provincial government has devised a 3-year (2006-2008) plan, budgeted at 300 million RMB (42.8 million USD) to build a better TCM healthcare system. 35 TCM hospitals at the municipal and district levels will receive 2-3 million RMB each for facility improvement; 200 TCM disease specialties are established throughout the province; and 500,000 TCM practitioners will receive one-time cash awards as part of the compensation package. The goal is to make available simple and affordable healthcare to the largely low-income population, especially those from the rural area.

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